

COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 4 July 1977.

COMMISSION COMMUNICATION TO THE COUNCIL

on the negotiation of the third Financial Protocol under
the EEC - Turkey Association Agreement

RECOMMENDATION FOR A COUNCIL DECISION

concerning the conclusion of a Financial Protocol between
the European Economic Community and Turkey

Explanatory Memorandum

1. The negotiations for a third financial protocol in the context of the Association Agreement between the EEC and Turkey were completed on 3 February 1977. As the Community's delegation has indicated its agreement ad referendum, the Commission submitted the results of the negotiations to the Council which approved them at its meeting on 8 March 1977. The protocol has been signed on 12 May 1977.

2. With a view to the conclusion of this protocol on behalf of the Community the Commission is requested to approve the draft communication to the Council on the negotiations and the recommendation for a Council decision to conclude the protocol.

COMMISSION COMMUNICATION TO THE COUNCIL

on the negotiation of the third Financial Protocol under
the EEC-Turkey Association Agreement

1. By a Decision of 29 November 1976, the Council authorized the Commission to open negotiations with the Republic of Turkey for the conclusion of the third Financial Protocol under the EEC-Turkey Association Agreement and issued the directives for those negotiations.

The negotiations with the Turkish Delegation took place within the Council of Association. They were completed on 3 February 1977. The Turkish delegation indicated its approval of the content of the texts of the draft Protocol and the Community declaration concerning the European unit of account. The Community delegation indicated its approval ad referendum. These texts are attached to this Communication.

2. In order to enable the Protocol to be signed at an early date, the Commission submitted the draft texts to the Council on 8 March 1977, proposing that it take the necessary steps to enable the signature to take place as soon as possible. The protocol has been signed on 12 May 1977.

In order that this Protocol may be concluded on behalf of the Community, the Commission is transmitting to the Council herewith a recommendation for a decision concluding the Protocol, to which is annexed the Community declaration.

The Commission also recommends that the representatives of the governments of the Member States, meeting in the Council, take the steps required for the implementation of the ratification, acceptance or approval procedures laid down in Article 16 (1) of the Protocol.

RECOMMENDATION
for a
COUNCIL DECISION

concerning the conclusion of a Financial Protocol between the European Economic Community and Turkey

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 238 thereof,

Having regard to the recommendation from the Commission,

Having regard to the Opinion of the European Parliament,

Whereas the Financial Protocol between the European Economic Community and Turkey,

signed at Brussels on 12 May 1977
should be concluded,

HAS DECIDED AS FOLLOWS:

Article 1

The Financial Protocol between the European Economic Community and Turkey, is hereby approved on behalf of the Community.

The text referred to in the first subparagraph is annexed to this Decision.

Article 2

The President of the Council shall carry out, on behalf of the Community, the notification procedure provided for in Article 16 (1) of the Protocol.

Done at 19

For the Council
The President

**FINANCIAL PROTOCOL
BETWEEN THE EUROPEAN ECONOMIC COMMUNITY
AND TURKEY**

HIS MAJESTY THE KING OF THE BELGIANS,

HER MAJESTY THE QUEEN OF DENMARK,

THE PRESIDENT OF THE FEDERAL REPUBLIC OF GERMANY,

THE PRESIDENT OF THE FRENCH REPUBLIC,

THE PRESIDENT OF IRELAND,

THE PRESIDENT OF THE ITALIAN REPUBLIC,

HIS ROYAL HIGHNESS THE GRAND DUKE OF LUXEMBOURG,

HER MAJESTY THE QUEEN OF THE NETHERLANDS,

HER MAJESTY THE QUEEN OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND,

and,

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

of the one part,

THE PRESIDENT OF THE REPUBLIC OF TURKEY,

of the other part,

CONSCIOUS of the need to promote the accelerated development
of the Turkish economy with a view to facilitating the
pursuit of the objectives of the Agreement establishing an
Association between the European Economic Community and
Turkey,

HAVE DESIGNATED as their Plenipotentiaries:

HIS MAJESTY THE KING OF THE BELGIANS:

HER MAJESTY THE QUEEN OF DENMARK:

THE PRESIDENT OF THE FEDERAL REPUBLIC OF GERMANY:

THE PRESIDENT OF THE FRENCH REPUBLIC:

THE PRESIDENT OF IRELAND:

THE PRESIDENT OF THE ITALIAN REPUBLIC:

HIS ROYAL HIGHNESS THE GRAND DUKE OF LUXEMBOURG:

HER MAJESTY THE QUEEN OF THE NETHERLANDS:

HER MAJESTY THE QUEEN OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND:

THE COUNCIL OF THE EUROPEAN COMMUNITIES:

THE PRESIDENT OF THE REPUBLIC OF TURKEY:

WHO, having exchanged their Full Powers, found in good and
due form,

HAVE AGREED AS FOLLOWS:

ARTICLE 1

Within the framework of the Association between the European Economic Community and Turkey, the Community shall participate on the terms set out in this Protocol in measures designed to promote, by efforts additional to those made by Turkey itself, the development of Turkey.

ARTICLE 2

1. For the purposes specified in Article 1, and for a period expiring on 31 October 1981, an aggregate amount of 310 million European units of account (EUA) may be committed as follows:

(a) 90 million EUA in the form of loans from the European Investment Bank, hereinafter called the "Bank", granted from its own resources;

(b) 220 million EUA in the form of loans on special terms granted by the Bank acting on instructions from the Community.

2. Capital projects shall be eligible for financing which have been submitted to the Bank by the Turkish State or, with the latter's agreement, by an authority or by public or private undertakings having their seat or a place of business in Turkey which:

- (a) help to increase the productivity of the Turkish economy and, in particular, aim to provide Turkey with a better economic infrastructure, higher agricultural output, and modern, efficiently-run undertakings in the industrial and service sectors whether they are publicly or privately managed;
 - (b) further the realization of the objectives of the Association Agreement;
 - (c) are part of the Turkish Development Plan in force.
3. With respect to the choice of capital projects within the framework of the above provisions:
- (a) only individual projects may be financed;
 - (b) as a general rule, capital projects which are to be carried out on Turkish territory may, in principle, be financed in all the sectors of the economy;
 - (c) special consideration shall be given to projects which could serve to improve Turkey's balance of payments.
4. Examination of the eligibility of projects and the granting of loans shall be undertaken in accordance with the detailed rules, conditions and procedures laid down by the Bank's Statute.

ARTICLE 3

1. The amounts to be committed each year shall be distributed as evenly as possible throughout the period of application of this Protocol. During the initial period of application, however, a proportionately higher amount may, within reasonable limits, be committed.
2. Any funds not committed may, by the end of the period referred to in Article 2(1), be used, until exhausted. In that case, the funds shall be used in accordance with the same arrangements as provided for in this Protocol.

ARTICLE 4

1. The loans may be granted through the intermediary of the State or appropriate Turkish bodies, on condition that they onlend the amounts to the recipients on terms decided, by agreement with the Bank, on the basis of the economic and financial characteristics of the projects for which they are intended.
2. Loans granted by the Bank from its own resources shall be subject to terms as to duration established on the basis of the economic and financial characteristics of the projects. The interest rate shall be that applied by the Bank at the time of signature of each loan contract.
3. Loans on special terms shall be granted to the Turkish State for forty years with postponement of amortization of ten years and at an interest rate of 2.5% per annum.

The Turkish State shall ensure that repayments by beneficiaries which are not immediately needed by the State for the amortization of loans from the Bank are used to finance capital projects within the meaning of Article 2(2). It shall notify the Bank each year of the use of these amounts. This provision shall also apply to projects carried out under the earlier Financial Protocols.

4. Loans accorded by the Bank from its own resources shall be used primarily to finance projects showing a normal return; loans on special terms shall be used primarily to finance indirect or long-term return projects.

ARTICLE 5

The loans may be used to cover expenditure on imports or the domestic expenditure required for carrying out approved capital projects, including expenditure on planning, on the services of consulting engineers and on technical assistance.

ARTICLE 6

Aid from the Bank for the execution of projects may, with the agreement of Turkey, take the form of co-financing.

ARTICLE 7

Undertakings whose risk capital comes wholly or partly from countries of the Community shall have access to the finance provided for in this Protocol on the same conditions as undertakings with national capital.

ARTICLE 8

The execution, management and maintenance of schemes which are the subject of financing under this Protocol shall be the responsibility of Turkey or of the other beneficiaries referred to in Article 2(2).

The Bank shall ensure that its financial aid is expended in accordance with the agreed allocations and to the best economic advantage.

ARTICLE 9

1. All natural and legal persons of the Republic of Turkey or of Member States of the Community may participate on equal terms in tendering procedures and other procedures for the award of contracts financed by loans.
2. Turkey shall apply to contracts awarded for the execution of projects financed under this Protocol fiscal and customs arrangements at least as favourable as that applied in respect of other international organizations.

ARTICLE 10

Turkey shall take all necessary measures to ensure that interest and all other payments due to the Bank in respect of loans granted under this Protocol are exempted from any national or local tax or levy.

ARTICLE 11

Where a loan is accorded to a beneficiary other than the Turkish State, the provision of a guarantee by the latter may be required by the Bank as a condition of the grant of the loan.

ARTICLE 12

Throughout the duration of the loans granted pursuant to this Protocol, Turkey shall undertake to make available to debtors enjoying such loans and to the guarantors of the loans the foreign currency necessary for the payment of interest, commission and other charges and for the repayment of capital.

ARTICLE 13

The results of financial co-operation may be examined within the Association Council set up by Article 6 of the Agreement establishing an Association between the European Economic Community and Turkey.

ARTICLE 14

The Contracting Parties will, one year before the expiry of this Protocol, consider what provisions relating to financial assistance might be adopted for a later period.

ARTICLE 15

This Protocol shall be annexed to the Agreement establishing an Association between the European Economic Community and Turkey.

ARTICLE 16

1. This Protocol shall be subject to ratification, acceptance or approval in accordance with the Contracting Parties' own procedures; the Contracting Parties shall notify each other that the procedures necessary to this end have been completed.
2. This Protocol shall enter into force on the first day of the second month following the date on which the notifications provided for in paragraph 1 have been given.

ARTICLE 17

This Protocol is drawn up in two copies in the Danish, Dutch, English, French, German, Italian and Turkish languages, each of these texts being equally authentic.

Declaration of the European Economic Community
on Article 2 of the Financial Protocol

1. The European unit of account used to express the amounts specified in Article 2 of the Financial Protocol is defined as the sum of the following amounts in the currencies of the Member States of the Community:

German mark	0.828
Pound sterling	0.0885
French franc	1.15
Italian lira	109
Dutch guilder	0.286
Belgian franc	3.66
Luxembourg franc	0.14
Danish krone	0.217
Irish pound	0.00759

2. The value of the European unit of account in any given currency is equal to the sum of the equivalent in that currency of the amounts of currency referred to in paragraph 1. It is calculated by the Commission using daily market exchange rates.

The daily rates of exchange in the various national currencies are published in the Official Journal of the European Communities.

FINANCIAL RECORD
for the 1977 Budget

A. PART 1: INTERVENTION APPROPRIATIONS
(for existing and new projects)

1. RELEVANT BUDGET HEADING CODE

Article 962

2. TITLE OF BUDGET HEADING

"Financial cooperation with certain non-member countries"

3. LEGAL BASIS

Article 238 of the EEC Treaty

4. DESCRIPTION, OBJECTIVE(S) AND JUSTIFICATION OF THE PROJECT

Third financial protocol between EEC and Turkey, concluded 3 February 1977, annexed to the Association Agreement between EEC and Turkey.

5. APPROPRIATION (in u.a.)

No commitment will be made in the 1977 Budget under the head of the financial aid provided for in the financial protocol (the budget heading concerned is a token entry). The budget appropriations may be used only from the 1978 financial year onwards, after the protocol has been ratified. This protocol provides for a sum of 220 million EUA to be committed up to 31 October 1981 from budget appropriations (with an additional 90 million EUA in loans from the EIB). The breakdown of this sum will be decided annually in the course of the budget procedure.

6. TYPE OF CONTROL TO BE APPLIED

As laid down in the Financial Regulation of 25 April 1973 applicable to the General Budget of the European Communities.

B. PART 2: ADDITIONAL DATA TO BE PROVIDED FOR A NEW PROJECT

7. COST OF THE PROJECT (FOR THE WHOLE OF ITS EXPECTED DURATION)

220 million EUA charged against the Community Budget for the whole duration of application of the protocol, i.e. up to 31 October 1981.

8. INFORMATION REGARDING STAFFING AND THE APPROPRIATIONS FOR ADMINISTRATIVE EXPENDITURE NECESSARY FOR THE IMPLEMENTATION OF THE PROJECT

The project will be implemented within the framework of the Commission's establishment plan.

9. PROJECT FINANCED FROM:

The financial aid for the total duration of the financial protocol will be financed from Community Budget appropriations (220 million EUA) and EIB own resources (90 million EUA).

The budget appropriations will be made in the form of special loans.

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